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SUBJECT: SPAIN ECONOMIC ROUNDUP, DEC.28 - JAN.8

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#### Unemployment Continues to Rise

1.(U) The number of registered unemployed rose by 50,000 in December, the fifth consecutive monthly increase. For all of 2009, the number of registered unemployed rose by nearly 800,000, on top of a 2008 increase of almost one million. Nearly four million Spaniards are registered as unemployed (and not all unemployed Spaniards are registered). In a separate report, Eurostat said Spain's unemployment rate rose to 19.4% in November, the EU's second highest rate. (El Pais, 1/5; Expansion, 1/8)

#### 2009 Inflation Estimated at 0.9%

2.(U) The National Statistics Institute estimated 2009 consumer price inflation at 0.9%, the lowest full-year figure on record. The low rate means that inflation adjustments in many wage contracts will not be triggered. (El Pais, 1/5)

#### Wind Power Grew in 2009, as Did Renewable Energy Bill

3.(U) Wind power generation increased by 15% in 2009 and accounted for over 13% of total electricity generation. Spain's main electricity sources are natural gas, nuclear, wind, coal (down 27% in 2009 after declining 35% in 2008), and hydro. However, total premiums incurred during the year for renewable energy under the GOS, generous feed-in tariff system reached 5.4 billion euros, well over the 4 billion euros predicted at the start of the year. The difference, mainly due to more solar projects coming on line than had been expected, will put further pressure on regulated electricity rates, which the GOS has agreed to gradually increase in order to eliminate the difference between what

consumers pay and what the generating companies are owed.  
(Red Electrica de Espana figures; El Confidencial, 1/8)

#### Iberdrola Receives Hundreds of Millions in USG Funds

4.(U) Iberdrola received \$703 million in USG incentives during 2009 and hopes to receive another \$430 million in 2010, according to the company. Most of the incentives went to the company's separate renewables division, Iberdrola Renovables, for wind energy projects. These incentives, contained in U.S. stimulus legislation, cover approximately 30% of the cost of the projects and substitute for a longstanding production tax credit. Iberdrola Renovables received more than half of all such USG incentives for wind projects in 2009. It says it will reinvest in the U.S. all such incentives it receives. The company has 3,459 MW of wind capacity in the U.S., making it the country's second largest wind power generator. Separately, Iberdrola's U.S. subsidiary received \$96 million for the design of intelligent networks, and the company has been awarded \$30 million for an electricity storage project. (Expansion, 1/7, La Razon, 1/7)

#### Iberdrola Leads Large Marine Energy Research Project

5.(U) Iberdrola's engineering arm will lead a consortium of 19 Spanish companies and 25 research centers in what is reported to be the world's largest R&D project on marine energy. The three-year &Ocean Leader8 project will study ways to lower the costs of generating energy from ocean sources, such as waves and currents. The project has a 30-million-euro budget and has already received a 15-million-euro grant from the Center for Industrial Technology Development and the government's stimulus fund. It has also been chosen for funding from the Cenit-E program of the National Plan for Scientific Investigation,

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#### Development and Technological Innovation. (Expansion, 1/8)

#### Spanish Companies Among Top Transportation Infrastructure Investors

6.(U) Spanish infrastructure companies held six of the top eleven slots in an annual, global ranking of transportation infrastructure investment published by U.S. newsletter Public Works Financing. Ferrovial-Cintra ranked in first place, with investments totaling over \$77 billion since 1985 and a presence in 49 countries, including toll road concessions in the U.S. Other top Spanish companies are: ACS (third, \$35 billion), Abertis (sixth, \$21 billion), OHL (eighth, \$15.5 billion), Global Via (ninth, \$15 billion), and Sacyr (eleventh, \$9 billion). ACS also owns a 30% share in the German company Hochtief, which ranked fifth with \$28 billion in investments. (El Pais, 1/7)

#### ACS Buys U.S. Construction Company for \$131M

7.(U) ACS announced on January 4 its purchase of the New York company John P. Picone for \$131.7 million. The company specializes in public works, especially tunnels and water infrastructure. This is ACS, third U.S. purchase in a little more than a year, after paying \$150 million for Schiavone in late 2008 and \$114 million for Pulice in December 2009. (El Pais, 1/5)

#### Fewer Highway Deaths, Again

8.(U) 1,897 Spaniards died in highway accidents in 2009, the sixth consecutive year that fatalities have declined. The number of highway deaths has been cut in half since 2003 despite a 24% increase in the number of vehicles. Among the factors credited for the decline are the introduction in 2006 of a points system that leads to the suspension of repeat offenders, licenses, stiffer penalties for dangerous driving, more active enforcement, and public awareness campaigns. (El Pais, 1/2)

